RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 11 a.m., with Senators permitted to speak therein for up to 10 minutes each. Under the previous order, the first half of the time shall be under the control of the Republican leader or his designee.

The Senator from Florida is recognized.

ORDER OF PROCEDURE

Mr. NELSON of Florida. Mr. President, I have already cleared this with the Senator from Wyoming. I ask unanimous consent that I be allowed to speak for up to 10 minutes and it be charged against the Democrat's time.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

DEFICIT SPENDING

Mr. NELSON of Florida. Mr. President, during the last few weeks, there has been much discussion about whether or not we should expand our war against terrorism to a specific war in Iraq. A lot of us have been on the talk shows and on the news programs. This morning Senator BROWNBACK of Kansas and I were on CNN talking about this very subject. It is expected that we will take up a resolution with regard to a war with Iraq probably later this week.

In the midst of this very public discussion, largely neglected have been conversations about a battle we are in the midst of fighting on our own soil—an economic battle against the long-term fiscal stability of our country, an economic battle involving the condition of our budget and our national economy.

As we talk about protecting against terrorism and protecting against Saddam Hussein in Iraq, clearly, we have to talk about military strength. But there is also a major component to being militarily strong; that is, to be economically strong.

Let's look at our condition. Last year the administration told us we could expect over $5 trillion of surpluses over the next decade. As a member of the Budget Committee, having gone through a similar situation way back in the early 1980s, I warned that that was a risky gamble. I cited the experiences of 1981 when we voted for a huge tax cut. I recalled, as we had this debate over a year ago about the projected surpluses over time, that those surpluses may not materialize. If you give a tax cut that is too large, it is going to throw you back into deficit financing.

Indeed, that is what happened in 1981. We had a tax cut that was so huge, we had to undo it—not once, not twice, but three times in the decade of the 1980s.

Last year when we were having this debate, I suggested that you just couldn't count on a 10-year forecast, that there was too much risk associated with planning that far in advance. At the time I supported a huge tax cut. I supported one version on an amendment that was up to $1.2 trillion over a decade and one that would give back to our citizens and assist those who were struggling to make ends meet but one that wouldn't break the back of the Federal Government should things not appear quite as rosy as we thought they were going to be, which has been the case.

Things didn't turn out anywhere close to the rosy picture that was painted for us a year ago. After passing last year's tax cut, which goes upwards of $2 trillion over a decade, we find that if we adopt over the next decade the administration's, the President's spending and tax policies, we will not see the $5.6 trillion of surpluses, but we will see instead $400 billion of deficits.

Some point to congressional spending as the root of this problem. That is simply not accurate. We will experience these deficits using the administration's, the President's, the White House's own proposals for spending and additional tax cuts. This doesn't even take into account the trillions of dollars of Social Security funds that are also going to be spent.

The true deficit, not counting Social Security surpluses, is not $400 billion. Over that decade, it is going to be $2.7 trillion. Remember, in the election of 2000 we all said we were not going to touch the surpluses in Social Security; that we were going to leave those alone; that there was going to be a fence off of Social Security surpluses. Then those surpluses would pay off the national debt over a 12-year period. That didn't happen.

The Congressional Budget Office tells us nearly $6 trillion of last year's projected surplus is gone. There is nothing left.

Now, let's recap where it went. According to CBO, 34 percent of the lost surplus went to last year's tax cuts. Twenty-nine percent of it was lost due to the overestimations of revenue by the administration; that was the rosy picture of what the surpluses were going to be, projecting over 10 years. In other words, lost revenue accounts for 63 percent of the disappearance of last year's surplus.

The remainder of the lost surplus went to the war on terrorism—something we obviously have to finance—or was directly related to the recession. Twenty-two percent of that went to increased spending on national defense, and only 15 percent of the disappearance of the surplus is as a result of the economic downturn.

For all of those folks asserting the overspending has eaten through our surplus projects, that is simply not accurate. The two largest reasons for the disappearance of the surplus are tax cuts and the administration's rosy estimates of the revenue.

The third biggest reason is what you would expect: Spending on defense. The smallest cause of the disappearance is the economic downturn.

The fact is, the surplus is gone. We are back up to our eyeballs in national debt. Last year, the administration said the debt held by the public would be virtually eliminated. Last year, the administration said the debt would be eliminated by 2008. It didn't happen that way.

Now we are in the middle of deficit financing. Instead of having no debt, we are going to be stuck over that decade with $3.8 trillion of debt, and the consequences of this enormously increased debt are that the interest cost to the Federal Government will have tripled from $620 billion over the decade to $1.9 trillion. That is going to have real consequences in our national economy.

Why do you think the stock market is going in the tank, it is right now? Every day it is losing. It is down in the 7,000 range on the Dow Jones. It is not just because of the threatened war on Iraq. That is one element of it. But it is a fact that the Federal Government has now gone back into its old ways of deficit financing; that is, borrowing money to pay present bills every year, projected over this decade to the point that we said we were not going to do it. We must pay attention to our bottom line and to the economic security and the fundamental financial strength of America. That is what gives texture and vibrancy for us as a Nation that needs to be militarily strong, as well as morally strong. We need that undergirding of economic strength.

With deficits projected the rest of the decade, we are going to be digging a deeper national debt hole. And when is that going to occur? Lo and behold, it is going to occur just at the time that all of the baby boomers are going to retire and our cashflow situation is going to get worse.

We are living right now on the positive cashflow out of the Medicare and the Social Security trust funds. But by the year 2016, those trust funds go from cash positive to cash negative, and they do it in a very big way.

We cannot afford to continue to cut receipts in the hope that doing so will somehow miraculously turn into more revenues. We have to begin to think more realistically before our overly rosy optimism financially paralyzes our Federal Government. At the same time, our economy is continuing to be sluggish. Although most analysts remain optimistic that we will pull out of this recession eventually, the path is not rising very fast, if it is rising at all.

The economic indicators are disturbing: Last week, leading economic indicators dropped for the third month